

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02 /060 W

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R 140825Z JUL 75

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4516

INFO AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

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E.O. 11652: N/A

TAGS: EFIN

SUBJ: CONGRESSIONAL INTEREST IN RECIPROCITY IN
FOREIGN BANK ESTABLISHMENT

REF: A) STATE 157474; B) STATE A-3324, 4/23/74; C) STATE A-3945,
5/5/74; D) STATE A-9082, 12/11/74

1. INDIVIDUAL STATE RECIPROCITY REQUIREMENTS HAVE HAD NO
EFFECT ON US BANKING ACTIVITY IN LUXEMBOURG. EQUALITY
OF TREATMENT IS GUARANTEED BY THE US-LUXEMBOURG TREATY
OF FRIENDSHIP, ESTABLISHMENT AND NAVIGATION BUT HAS
NEVER BEEN A PROBLEM SINCE NO LUXEMBOURG BANK HAS SOUGHT
ESTABLISHMENT IN THE UNITED STATES.

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2. WITH A FEW EXCEPTIONS, NEARLY ALL OF THE 80 BANKS ESTABLISHED IN LUXEMBOURG ARE OF FOREIGN ORIGIN AND ALL RECEIVE NATIONAL TREATMENT. THE ONLY DISTINCTION MADE IN LUXEMBOURG BANKING REGULATIONS DEPENDS UPON WHETHER A BANK IS ESTABLISHED AS A SOCIETE ANONYME UNDER LUXEMBOURG LAW OR ALLOWED TO OPERATE AS THE LUXEMBOURG BRANCH OF A FOREIGN BANK. IN THE LATTER CASE, THE BANK IS GRANTED A LIMITED LICENSE THAT RESTRICTS ITS ACTIVITIES (I.E., A FOREIGN BRANCH CANNOT PARTICIPATE IN THE EUROBOND MARKET). NEVERTHE-
ESS, CERTAIN FINANCIAL ADVANTAGES HAVE LED SEVEN OF THE 16 WHOLLY-OR PARTIALLY-OWNED US BANKS IN THE MARKET TO ESTABLISH BRANCH OFFICES RATHER THAN INCORPORATING LOCALLY. WE KNOW OF NO CASE WHERE A US BANK WAS REFUSED ESTABLISHMENT IF IT MET CAPITAL AND OTHER REQUIREMENTS COMMON TO ALL BANKS (SEE A-41, AUG. 27, 1974 FOR COMPLETE DETAILS).

3. ALBERT DONDELINGER, GOL BANKING COMMISSIONER, HAS TOLD US THAT HIS OFFICE HAS NO PROBLEMS WITH THE LEGISLATION AS ORIGINALLY SUBMITTED BY THE FRB, BUT THAT HE DOES FIND THE AMENDMENTS SUBMITTED BY CONGRESS-
MAN REES TO BE OVERLY RESTRICTIVE.

4. ACTION REQUESTED: NONE OF THE REFERENCED AIRGRAMS WERE RECEIVED AT THIS POST. IN VIEW OF THE REPEATEDLY EXPRESSED INTEREST OF THE GOL BANKING COMMISSION AND THE FINANCE MINISTRY IN US BANKING LEGISLATION AND THE SUBSTANTIAL US BANKING INTERESTS IN THE LUXEMBOURG FINANCIAL PLACE, WE REQUEST THAT THESE REFERENCES BE
POUCHED AND THAT WE BE PLACED ON DISTRIBUTION FOR ALL FURTHER MESSAGES RELATING TO BANKING REGULATIONS AND LEGISLATION.
FARKAS

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